UNITED NATIONS **DP**

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/FPA/1999/2
17 November 1998

ORIGINAL: ENGLISH

First regular session 1999
25 - 29 January 1999, New York
Item 2 of the provisional agenda
UNFPA

UNITED NATIONS POPULATION FUND

Follow-up to the Report of the Board of Auditors for 1996-1997: Status of Implementation of Recommendations

1. Pursuant to decision 97/2 taken by the Executive Board at its first regular session of 1997, the Executive Director wishes to bring to the attention of the Executive Board the status of actions taken in response to the recommendations contained in the Report of the United Nations Board of Auditors on the United Nations Population Fund for the biennium ended 31 December 1997 (A/52/5/Add.7). The Auditors review concerns the efficacy of financial procedures, the internal financial controls of the Fund and in general the management of UNFPA. The management issues examined by the Board of Auditors during 1996-1997 included cash management; property management; and human resources management.

2. Set out in the table below are the steps taken by the Executive Director to date to address the concerns and issues raised by the Board of Auditors in their recommendations for the 1996-1997 biennium.

Recommendation

3. The Executive Board may wish to take note of the progress report provided by the Executive Director on the measures that have been taken or are planned in implementing the recommendations of the Board of Auditors for the biennium 1996-1997, as contained in document DP/FPA/1999/2.

/...

Follow-up to the Report of the United Nations Board of Auditors to the General Assembly on the Accounts of the United Nations Population Fund for the Biennium Ended 31 December 1997

Recommendations	Follow-up Action	Current Status/Comments
Previous recommendations not fully implemented		
1. In its report on the 1990-1991 biennium, the Board of Auditors recommended that UNFPA's Policies and Procedures Manual (PPM) should be updated without further delay. A UNFPA task force created in October 1996 issued a major portion of the manual in November 1997; however, the manual still remains only 80 per cent complete.	A PPM maintenance unit was created within the Technical and Policy Division to ensure necessary follow-up.	The final drafts of the remaining chapters of the PPM are being reviewed. As stated to the auditors, the process has been slower than anticipated due to the participatory approach that was used to ensure the full understanding by all staff of the new programming guidelines. Since the last review of the Board of Auditors, all programming guidelines, including those on training and procurement, have been finalized, and personnel and administration guidelines have been drafted.
2. In its report on the 1992-1993 biennium, the Board of Auditors recommended that all procurement requests be channelled through the Fund's Procurement Unit. The Board found that UNFPA's Information and External Relations Division (IERD) had approached consultancy firms directly rather than through the Procurement Unit.	These cases were brought to the attention of the concerned organizational unit for full compliance of the procurement procedures in the future.	UNFPA has continued to emphasize the necessity of strictly applying established procedures to all procurement requests. This issue has been recognized by the parties concerned who are adhering to the applicable procedures.

Recommendations	Follow-up Action	Current Status/Comments
Recommendations for the 1996-1997 biennium		
Financial procedures		
3. Show the value of contributions-in-kind in a note to the financial statements.	UNFPA is examining the requirements for collecting information on contributions-in-kind, assigning a value to such contributions and reporting on this information.	UNFPA has drafted financial rule 104.2(b) concerning contributions-in-kind in order to comply with the United Nations System of Accounting Standards (UNAS). It is planned that the implementation of this rule will be reflected in the financial statement for 1998-1999.
4. Establish procedures for accurately recording non-expendable project equipment held by Governments and NGOs and disclose the value of the inventory in a note to the financial statements.	UNFPA is stressing the importance of accurate record keeping in the revised administrative and programming section of the PPM. In order to comply with United Nations System of Accounting Standards, UNFPA will examine the additional requirements for compiling and reporting this information.	UNFPA will highlight this issue through briefings and training programmes especially for Country Representatives and National Programme Officers. In addition, UNFPA has requested clarification from the Consultative Committee on Administrative Questions (CCAQ) regarding the disclosure of the value of non-expendable project equipment by both the funding agency and the executing agency. This is a complex enterprise which requires coordination among different headquarters divisions as well as between country offices and headquarters. The Fund's Division for Finance, Administration and Management Information Services (DFAMIS) will ensure the implementation of the UNAS procedures for the recording of non-expendable project equipment.
5. Amend the financial regulations to require exchange losses, other than those arising from voluntary contributions, to be charged as expenditure, in line with the practice adopted by United Nations Headquarters.	UNFPA is drafting the necessary revisions to its financial regulations and rules. In addition, UNFPA will liaise with UNDP to determine what is required to be able to segregate exchange losses according to the source of the loss.	UNFPA has drafted financial rule 104.3 on exchange adjustments which is being implemented and will be reflected in the financial statement for 1998-1999.

Recommendations	Follow-up Action	Current Status/Comments
6. Take action to recover overdue travel advances, including, where appropriate, recovery action from salary where travel claims have not been submitted within two weeks of actual travel, as required under UNFPA's regulations.	In line with UNDP procedures, overdue travel advances for regular staff members are expected to be recovered from staff members' salaries if for two consecutive missions no claim is submitted. No further missions will be approved prior to recovery and submission of claim.	The Executive Director regularly impresses upon staff members the importance of adhering to reporting procedures for travel. In addition, senior staff members regularly make oral reports on travel at Management Committee meetings.
Management issues **A. Cash management**		
7. Expedite the receipt of outstanding disbursement reports in respect of Government- and NGO-executed projects.	Strict requirements regarding the conditions for paying and controlling advances are set forth in the Finance Manual.	The causes of the problem of outstanding disbursement reports varies by execution modality and region and requires different approaches. The Finance Branch is taking appropriate action accordingly.
8. Adhere strictly to the Finance Manual provision that advances should not be made while disbursement reports are outstanding and any advances allowed should be limited to no more than one quarter's estimated expenditure.	Country offices and headquarters divisions are instructed, and continuously reminded, to adhere to these procedures.	The Finance Branch frequently sends reminders to UNFPA Representatives to ensure compliance with these procedures. The Geographical Divisions have also assisted in following up with UNFPA Representatives in their respective regions. The Executive Director has issued a circular with the audit findings instructing representatives to adhere to rules and procedures and to take appropriate follow-up actions.
9. Require Governments and NGOs, where practicable, to establish a separate bank account for each project to facilitate the pay-over to UNFPA of any interest earned on project funds.	The UNFPA Finance Manual currently states that Governments should maintain a separate project bank account and include a bank information sheet to be completed for each project. UNFPA will continue its efforts to recover any interest earned on project funds.	Policies and procedures, and all training and programme monitoring missions, appropriately emphasize the need to establish separate accounts. Only in a few cases were separate accounts not opened. This was due primarily to legislation or infrastructural limitations in the country. It should also be noted that advances to executing agencies are for immediate use and not for investment purposes.

Recommendations	Follow-up Action	Current Status/Comments
10. Routinely review inactive projects and close them if appropriate.	The Finance Branch issued a circular in July 1997 clarifying the procedures to be followed in identifying and closing completed projects. In addition, the Finance Manual has been revised to provide clear guidelines on project closure. It is the responsibility of the UNFPA Representative, the relevant headquarters division and the relevant executing agencies to review project status on an ongoing basis to determine whether action needs to be taken to close an inactive project. In 1997, over 400 inactive or operationally completed projects were financially closed.	Progress has been made with regards to project closure. Projects are regularly reviewed for closure. The Finance Branch is working closely with country offices and responsible headquarters units to ensure that this process is rountinely carried out. The Finance Branch has designed procedures to speedily close projects that have been operationally completed for some time and have no or immaterial outstanding balances. This will dramatically reduce the number of operationally completed but financially open projects.
B. Property management		
11. Negotiate with Governments to either provide free premises or make a contribution towards accommodation costs.	UNFPA strategy in this area is reflected by active participation in the United Nations Development Group-Sub-Group on Common Premises and Services (UNDG-SGCPS). In this respect, all UNDG partner agencies are adhering to the Secretary-General's directive to move towards common premises and the establishment of UN Houses. Consequently, the methodology and strategy applied to achieve this are common to the UNDG agencies. The Auditors recommendation is accepted by UNFPA. In addition to SGCPS efforts in this area, UNFPA will direct all UNFPA Representatives to investigate the possibility of requesting host Governments to extend the UNDP Government Local Operating Costs (GLOC) contribution or similar arrangements to UNFPA offices where such arrangements do not already exist.	As an active participant in this UNDG Sub-Group, UNFPA ensures that it retains an equal voice in formulating such policy, and in doing so, strives to ensure that proposals of the Sub-Group take into account, and maximize, efficiency as well as cost-effectiveness. The issue of cost-free premises is being actively pursued in the SGCPS and Management Group on Services and Premises (MGSP) fora. A common strategy and policy is currently being investigated. A conference room paper prepared by the Sub-Group will be presented to the Executive Board in a joint UNDP/UNFPA segment at the second regular session in 1999.

Recommendations	Follow-up Action	Current Status/Comments
12. Establish standards and guidelines for premises-related expenditure.		UNFPA, wherever possible, attempts to ensure that countries specifically targeted for in-depth review and premises-assessment missions are those countries that for UNFPA exhibit high rental and/or high operational costs. However, it should be noted that utilizing an average rental cost per staff member as a means of comparison could be misleading. More appropriate indicators may be the costs as a percentage of office budget or a comparison of square-footage costs in that particular geographical area.
13. Ensure that the standard common services agreement incorporates performance targets and service standards.	UNFPA concurs with the Auditors observations and the recommendation on this issue. In this context, it should be noted that in response to a recent UNDP/UNDG Office paper providing guidelines and policy on common services, commissioned by the Consultative Committee on Programme and Operational Questions (CCPOQ), UNFPA was the sole UNDG agency to request, in writing, that the paper be revised, inter alia, to include criteria to evaluate the quality and cost-effectiveness of services provided by partner United Nations agencies and to include the principle of the accountability of service providers to service recipients.	In the UNDG Management Group on Services and Premises meeting of 12 August 1998, UNFPA again emphasized that it remains essential to include relevant narrative on this subject in the pending CCPOQ guidelines on this issue. This point was accepted by the other UNDG agencies present in this forum (UNDP, UNICEF and WFP). The CCPOQ guidelines were revised accordingly and were endorsed by CCPOQ in October 1998.

Recommendations	Follow-up Action	Current Status/Comments
C. Human resource management		
14. Undertake a comprehensive staff review, including an examination of the relationship between headquarters and field offices, to: - *ensure appropriate balance between decentralization and control; and* - *determine accurately the number of professional and support staff needed.*	UNFPA concurs with the observations and recommendations. These will be addressed through a workforce planning exercise which will: - review job content and redesign functions of posts, as necessary; - develop accurate workload measures specific to the full range of work undertaken; and - establish workload benchmarks to optimize staff resources.	Discussions have been initiated with consultants who will undertake the exercise, which commenced in 1998. The exercise will consist of a baseline post assessment in November 1998 to January 1999, the Pilot Re-engineering phase from January 1999 to June 1999 and a broad-based application from July 1999 to February 2000. Staff have been informed of this project through a detailed circular from the Executive Director. Workforce planning workshops conducted with all staff at headquarters in November will support the baseline post assessment.
15. Undertake a field capacity study to assess whether country offices are appropriately staffed.	The workforce planning exercise will also enable management to adequately define the role and responsibilities of field staff in the context of decentralized approval authority and programme implementation. This will be useful in assessing the appropriate staffing of country offices.	This also needs to be seen in the context of national capacity building and national execution, particularly how the country offices should be endowed to assist Governments and NGOs to achieve self-reliance. This should also be seen within the United Nations system as a whole. At the initiative of UNFPA, the UNDG Sub-group on Programme Operations is discussing joint operational recommendations. A note on this will be presented to the UNDG in November.
Year 2000 issue		
16. The Board of Auditors recommends that UNFPA should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies.	UNFPA did a survey on all systems during 1998 and found that all UNFPA systems are compliant with the year 2000 requirements. The only non-UNFPA system used by UNFPA is the General Ledger which will be replaced in early 1999 by a version of the Integrated Management Information System (IMIS).	A focal point for Y2K issues has been established. UNFPA is actively involved in the interagency working group on Information Technology Systems (ITS). The Joint Inspection Unit (JIU) findings indicate that, in general, UNFPA is well prepared for Y2K.

*****